



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA  
Chief Executive Officer

July 14, 2008

To: Supervisor Yvonne B. Burke, Chair  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

A handwritten signature in black ink, appearing to be "WTF", followed by a horizontal line.

Board of Supervisors  
GLORIA MOLINA  
First District

YVONNE B. BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

## USAGE OF TOBACCO SETTLEMENT FUNDS

On June 16, 2008, Supervisor Antonovich requested an accounting of the usage of Tobacco Settlement funds. Attached is a schedule that details actual and estimated Tobacco Settlement funds received and expended for fiscal years 2005-06 to 2008-09.

If you have any questions or need additional information, please contact me or your staff may contact Mason Matthews at (213) 974-2395 or [mmatthews@ceo.lacounty.gov](mailto:mmatthews@ceo.lacounty.gov).

WTF:SRH:SAS  
MLM:MM:JT:yb

Attachment

c: Executive Officer, Board of Supervisors  
County Counsel  
Acting Auditor-Controller  
Interim Director, Department of Health Services  
Director and Health Officer, Department of Public Health

Tobacco Settlement Request\_mbs

*"To Enrich Lives Through Effective And Caring Service"*

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**LOS ANGELES COUNTY  
TOBACCO SETTLEMENT FUNDING SUMMARY**

	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>
	(\$ in millions)			
<b>BEGINNING BALANCE</b>	<b>\$301.0</b>	<b>\$287.4</b>	<b>\$232.8</b>	<b>\$228.2</b>
<b><u>SOURCES</u></b>				
Tobacco Settlement Funds (1)	94.4	98.8	105.2	104.7
Interest Earned (2)	2.0	8.8	8.6	7.0
<b>Total Sources</b>	<b>\$96.4</b>	<b>\$107.6</b>	<b>\$113.8</b>	<b>\$111.7</b>
<b><u>USES</u></b>				
1115 Waiver - Department of Health Services (DHS) (3)	(60.0)	(50.7)	(50.7)	(50.7)
1115 Waiver - Department of Public Health (DPH) (3)	-	(9.3)	(9.3)	(9.3)
Ambulatory Care (4)	(15.5)	(15.5)	(15.5)	(15.5)
Capital Projects (5)	(18.3)	(6.0)	-	-
Workforce Development Program (6)	(6.0)	-	-	-
Fixed Assets (7)	(3.6)	-	-	-
Public Health Needle Exchange Program - DPH (8)	-	-	(0.5)	(0.5)
LAC+USC Psychiatric Unit Conversion to an Acute Care Unit (9)	(6.6)	-	-	-
CEO Capital Projects (10)	-	(60.0)	-	-
Computed Tomography Scanners (11)	-	(20.7)	(3.0)	(0.4)
LAC+USC Transition Capital Projects (12)	-	-	(0.2)	(24.9)
Managed Care Inter-Governmental Transfer (IGT) (13)	-	-	(39.2)	-
South LA Medical Services Preservation Fund IGT (14)	-	-	-	(5.0)
Public-Private Partnership (PPP) Multi-Year Expansion Project	-	-	-	(40.0)
PPP One-Time Capital Infrastructure	-	-	-	(4.8)
Smoking Cessation Program - DPH (15)	-	-	-	(2.6)
<b>Total Uses</b>	<b>(\$110.0)</b>	<b>(\$162.2)</b>	<b>(\$118.4)</b>	<b>(\$153.7)</b>
<b>ENDING BALANCE</b>	<b>\$287.4</b>	<b>\$232.8</b>	<b>\$228.2</b>	<b>\$186.2</b>

**LOS ANGELES COUNTY  
TOBACCO SETTLEMENT FUNDING SUMMARY**

**Footnotes:**

- (1) Reflects final actuals for Fiscal Years (FY) 2005-06, 2006-07, and 2007-08 and estimate for FY 2008-09 per the State's website dated July 2005. The Tobacco Settlement Funds received and estimated to be received reflect a reduction as a result of a few participating tobacco companies that began withholding payments from FY 2005-06. The basis for the withholds was a provision in the Master Settlement Agreement that participating tobacco companies are eligible for a payment reduction if their market share falls two percent below its 1997 market share because the State had not enforced a statute to prevent a competitive disadvantage for the participating companies. However, the State of California filed legal action in 2006 against these participating tobacco companies that withheld Tobacco Settlement payments, challenging that the laws and regulations governing non-participating tobacco companies were diligently enforced by the State. Hearings are expected to begin in 2009.
- (2) Totals for FYs 2005-06 and 2006-07 are based on actual interest earned. The totals for FY 2007-08 and 2008-09 are estimates using the prior year actual interest rate (3.9%) times the estimated remaining balance.
- (3) Reflects the Board's \$60.0 million annual 1115 Waiver commitment and the Tobacco Spending Plan. Funds cannot be spent until the Board has approved appropriation into the Department's operating budget. When DPH was formed on July 6, 2006, it was allocated \$9.3 million and DHS was allocated \$50.7 million effective FY 2006-07 and forward, based on the existing distribution of the funds for the respective budgets.
- (4) Reflects funding for an 11% Public-Private Partnership/General Relief (PPP/GR) rate increase (\$5.1 million) and a PPP/GR Pharmacy Supplemental rate increase (\$10.4 million) which totals \$15.5 million, as reflected in the Tobacco Settlement Spending Plan approved by the Board on October 31, 2000.
- (5) In FY 2005-06 and FY 2006-07, tobacco funding of \$18.1 million and \$2.6 million support Harbor-UCLA Medical Center Surgery/Emergency Replacement Project and \$0.2 million and \$3.4 million support High Desert MACC, respectively.
- (6) FY 2006-07 funding for the Workforce Development Program of \$1.0 million in the FY 2006-07 Final Budget and \$1.5 million approved by the Board on December 12, 2006 for a total of \$2.5 million, however, it was not needed due to the receipt of grant funds from the State of California.
- (7) Reflects one-time equipment purchases for Coastal of \$2.3 million, AVA of \$0.1 million and SF of \$1.2 million.
- (8) Reflects the use of \$0.5 million to support Phase I of the Needle Exchange Program per Board approval on August 2, 2005. This funding is included in the DPH Adopted Budget for FY 2007-08 along with the corresponding appropriation.
- (9) Reflects the use of \$6.6 million to fund the conversion of 24 psychiatric beds to acute beds in the LAC+USC Replacement Facility per Board approval on April 11, 2006.
- (10) Per Board letter dated February 13, 2007, approved a budget adjustment to transfer \$60.0 million to the LAC+USC Replacement Capital Project No. 70787.
- (11) Reflects \$24.1 million in funding for Computed Tomography Scanners for Harbor-UCLA - \$4.7 million, MLK-Harbor - \$4.6 million, RLA - \$1.5 million, OVMC - \$4.6 million, HDHS - \$1.5 million, and \$7.2 million for the related Capital Projects. Amount updated from the Final Budget amount of \$28.3 million to reflect reduced costs per the final bids received by ISD.
- (12) This is for projects required during the transition of the LAC+USC Replacement Project, including improvements to Central Plant, Service Tunnel, Pedestrian Circulation Improvements, Gift Shop/Coffee Shop Build out, and Secondary MPOE for New Facility.
- (13) Intended as the Managed Care Rate Supplement IGT, however when the total amount of the Managed Care Rate Supplement was approved at a lower amount than projected, these funds were used to offset a portion of the revenue shortfall.
- (14) Reflects an IGT payment to the State to draw down federal funds for medical services at impacted South Los Angeles hospitals for FY 2008-09 and FY 2009-10 or up to when MLK-Harbor hospital is open.
- (15) One time funds for the Department of Public Health's smoking cessation program in FY 2008-09.